School Impact Fee Working Group
(Established by Act 246, Session Laws of Hawai`i 2005)
State of Hawai`i
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Minutes of Meeting

The agenda for this meeting was filed with the Office of the Lieutenant Governor, as required by Section 92-7(b), Hawai`i Revised Statutes.

Date: Friday, September 1, 2006

Time: 1:00 p.m.

Place: State Capitol
415 South Beretania Street
Conference Room 225
Honolulu, Hawai`i

Present: Senator Sakamoto, President of the Senate Designee
Austin Imamura, Designee for the Mayor of the City & County of Honolulu
Randy Moore, DOE, Superintendent of Education Designee
Anthony Ching, Executive Director, Land Use Commission
Councilmember Mel Rapozo, President of the Hawai`i Association of Counties
Duane Kashiwai, DOE Employee whose primary area of responsibility is repair and maintenance, capital improvement projects, and land use planning
Patricia Park, DOE, Central Oahu Complex Area Superintendent
Dean Uchida, Executive Director, Land Use Research Foundation
Bob Bruhl, Development Community Member

Marion M. Higa, State Auditor, Office of the Auditor
Jan Yamane, Deputy Auditor/In-House Counsel, Office of the Auditor
Pat Mukai, Secretary, Office of the Auditor

Ralph Portmore, Group 70 International
Clancy Mullen, Duncan Associates

Absent: Representative Takumi, Speaker of the House of Representatives Designee

Call to Order: Chair Sakamoto called the meeting to order at 1:23 p.m., at which time quorum was established.

Chair's Report: **Announcements, Introductions, Correspondence, and Additional Distribution**
Chair Sakamoto welcomed Member Councilmember Mel Rapozo, President of the Hawai'i Association of Counties, who replaced Councilmember and Vice Chair Dain Kane, and asked Working Group members to introduce themselves.

Letter dated May 1, 2006, from Senator Suzanne Chun Oakland
A letter was sent to Councilmember and Vice Chair Kane and members of the Working Group regarding the impact fees discussed at the last meeting. Sen. Chun Oakland expressed her thanks for the Working Group's discussion and consideration of issues in her district.

Letter dated July 18, 2006, from Councilmember Dain Kane
Councilmember Dain Kane sent a letter to State Auditor, Marion Higa, informing her of his change in position and that he will no longer be a member of the Working Group. Councilmember Kane extended his welcome to his replacement, Councilmember Mel Rapozo from Kaua'i.

Letter dated July 26, 2006, from Councilmember Mel Rapozo
Councilmember Mel Rapozo sent a letter addressed to State Auditor, Marion Higa, indicating his recent installation as the Hawai`i State Association of Counties (HSAC) President. As the President, he intends to serve as the HSAC designee on the School Impact Fee Working Group.

Other
Ms. Yamane indicated that a new contact list has been distributed. Councilmember Rapozo's information is included in the contact list. Ms. Yamane also suggested that Chair Sakamoto and the Working Group consider sending a letter to Councilmember Kane thanking him for his contribution to the Working Group and his leadership as Vice Chair. Chair Sakamoto agreed and directed Ms. Yamane to prepare a draft letter for his review.

Minutes of Previous Meetings
Member Park stated, on page 4 of the minutes, first full paragraph, that Mililani "Kai" should be "Ike." On a motion by Member Uchida, seconded by Member Councilmember Rapozo, the Working Group voted unanimously to approve the minutes of the February 23, 2006 meeting, as amended.

2006 Legislature

Legislative Measures Relating to School Impact Fees
A copy of Act 315, Session Laws of Hawai`i 2006, was included as distribution to the members of the Working Group for their information.

Presentations:

Presentation by Consultants Mr. Ralph Portmore, Group 70 International and Mr. Clancy Mullen, Duncan Associates
Mr. Ralph Portmore, Group 70 International, stated that the presentation will focus on tasks 2 & 3 in the contract, "Salient Issues" and the "Central Oahu Case Study." Mr. Clancy Mullen of Duncan Associates indicated that the consultants are to help the Working Group address the tasks set out by the Legislature in Act 246, Session Laws of Hawai`i 2005. The tasks are as follows: 1) Examine Salient Issues; 2) Conduct Central Oahu Case Study; and 3) Provide Specific Recommendations.

Salient Issues. Mr. Mullen stated that the salient issues are: 1) The relevance of the 2001 study and any changes; 2) the relevance of the 1992 report on Hawai`i law; 3) the difference in needs by development type; 4) the funding mechanisms used nationwide; 5) Current DOE fair share practices; and 6) potential funding sources.

Relevance of the 2001 Study. Mr. Mullen continued that the general findings and recommendations are still relevant. However, the group should keep in mind that in 2001, state-wide enrollment was projected to increase, with only Honolulu and Windward projected to decline. Compare that with today, when there are projected state-wide enrollment decreases, including declines in Honolulu, Windward, and Central Oahu, and on Kauai. Given this, a more careful nexus analysis is required. Referring to a graph on page 7 of the handout, Mr. Mullen pointed to a declining state-wide public school enrollment. There is strong housing growth during the period 1990-2005. Referring to the chart, he pointed out that during the period of 1997-98, enrollment peaked, then declined, despite the fact that housing units had strong growth during that period. Private school enrollments increased slightly over the past 5-6 years. Referring to numbers reported in the 1990-2000 census, one can see the records of individual households and the number of school-aged children, including how many go to public schools and private schools, as well as the number of single-family and multi-family units. There was a strong trend of declining public school enrollment during the period of 1990-2000.

Chair Sakamoto asked if private school enrollment is subtracted out from public school enrollment. Mr. Mullen responded in the affirmative and that the numbers are declining. Member Moore asked whether a resort condo counts as a dwelling unit? Mr. Mullen answered, yes, if it has a kitchen. The census calls it "seasonal/recreational use."

The components of falling student generation rates were described as: 1) aging population – the number of school-aged children (5-17 years old) per household declined by 2.4 percent from

1990-2000; 2) strong increase in resort development – 20 percent of new units built between 1990-2000 were for "seasonal/recreational use;" 3) results in a net effect of a decline by 6.5 percent in the number of school-aged children per housing unit.

Member Imamura asked if there is a number of net resort development and a number of students per unit of net of growth. Mr. Mullen responded that he doesn't have that information.

Mr. Mullen described the components of enrollment decline: 1) new construction – over the last 6 years (2000-2006), there were about 41,000 new units constructed, and given 2006 student generation rates, that would account for about 16,000 new public school students; 2) declining student generation - new development, that is, new construction is having an impact in terms of creating demand but, off-setting that, you have declining student generation; 3) results in a net effect of DOE having lost 3,700 students over the last 6 years. This is the kind of situation we have to grasp with school impact fees. How do you show the development as an impact? If you look state-wide, it doesn't matter where a school is because you can bus somebody far enough to get to that school. Given this, it is difficult to justify an impact fee.

We needed to look more closely where growth is occurring. We looked at school districts. Some are growing, some are declining, some are stable. Overall, in terms of projections, we have three districts that are showing some growth – Leeward, Hawai`i, and Maui. With the high school complexes, we found that growth is occurring in twelve of the 38 high school complexes, which is less than one-third.

Our conclusion, then, is that targeted impact fees should apply to: 1) infill, where redevelopment and small projects are likely to generate enough impact, thereby causing a sharing of schools among new and existing residents; and 2) major development projects that will create the need for new schools and areas with sufficient projected growth to warrant new school construction.

Mr. Portmore indicated, when you look at Oahu, you don't really see areas that are urban now and where there would be sufficient growth and a need for schools. But there are places on the Big Island where you know all these subdivisions are creating a large number of lots; developers are infilling, which will create a need for additional schools.

Mr. Mullen then described the relevance of 1992 Report. First, it contained an excellent description of the State impact fee act authorizing county impact fees. Second, it also described the counties' enabling act and how that could be implemented. Counties could enact school impact fees under the current enabling act. There could, however, be problems with the act. For example, one of them includes a six-year time limit for spending the funds. One alternative would be for the State Legislature to enact school fees modeled on the county enabling act. It should be targeted to major projects or growth areas.

In the 2001 study, we looked at multi-family and single-family development. You could break it down a little more, for example, how much impact do townhouses have, or duplexes? DOE treats duplexes like single-family. Three attached units are considered "multi-family." So, townhouse, apartment, and condo are all lumped together. The next possibility is to look at townhouses separately. Another possibility is to look at housing on the basis of size basis rather than on a flat rate.

We should also look at different needs by area. For example, areas with high recreational/seasonal use tend to be resort areas with low-multi-family student generation. The other difference in projects are where the projects are located. Looking at the census data, single-family units in more affluent areas tend to have more private school enrollment and lower public school enrollment. For example, East Honolulu, Central Honolulu, and Hawai`i Kai have a high percentage of kids going to private schools. Central Oahu and Ewa have fewer students going to private schools. If you look statewide and look at multi-family units, you can see the resort units for Hawai`i, Maui, and Kauai have student generation rates of about 50 percent lower than the statewide average. These are geographic regions the census gave for the State and we don't have a breakdown for Hawai`i County. If we did, Puna and Kau, where you don't see resort development, would likely have much higher student generation rates.

Another thing to look at is alternative capital funding sources, which were itemized in the 2001 study: 1) land dedication and fee-in-lieu; 2) negotiated exactions (although DOE does get dedication of land from some developers, there is nothing in the land development statute and no legal requirement obligates developers to contribute land; hence, DOE's fair share falls under the negotiating exactions framework); 3) adequate public facility requirements, which are sometimes seen as a funding measure; 4) impact fees; 5) development taxes; and 6) special districts, which are not really used in the State of Hawai`i. California has made extensive use of this along with some other states. In terms of our case study, this would be a possible alternative.

Say you have an area that's going to develop and you need a school. Rather than pay an impact fee, that they pay fees to a special district either based on property value or taxing district. California is an assessment district, which is a way of calculating that fee over time. They use the funding to re-pay, issue bonds, build the schools. It has some advantages for the property owner in terms of taxing, in terms of being able to write off income tax. Also, 7) real estate transfer taxes can be another county source that sometimes are talked about for schools. In Florida, a couple of years ago, this idea was exploited as an alternative to increasing school impact fees. This envisions a transaction tax when you sell the property for the first time; thus, the property is sold, you collect that tax. This is not really targeted to new development.

To recap school impact fees nationally, they are allowed in only eight (8) states – California, Florida, Hawai`i, Maryland, New Hampshire, Rhode Island, Washington, and West Virginia. Except in California, they are only charged on residential development. The national average fee is about $4,000 ($4,138) per single family unit. There will be fees, however, in the $8,000–$9,000 per unit range. When DOE gets developers to contribute, it gets about $3,400 per single family unit based on a recent agreement in the Waiawa project, which is only a fraction of the real cost.

Under current DOE practices, there are negotiated exactions and no statutory requirements. Fair share is only applied to major developers needing State land use change or sometimes county zoning change. The typical agreement currently pays probably 15 percent of total school costs.

For the Central Oahu case study, the area we are looking at is primarily an area of new development of two projects—the Koa Ridge and Waiawa projects.

When trying to identify the case study area, we looked at the surrounding high school complexes of Mililani, Pearl City, and Waipahu. However, outside of the new development areas, these areas are already largely built out. They also have fairly limited excess capacity in their schools and there are geographic barriers that separate these complexes from areas that are being newly developed. You wouldn't want to be transferring school children over the barriers to these neighboring schools.

Ultimately, the case study area we're looking at needs its own high school complex. It needs to have its own schools. To charge impact fees to fund these schools is the appropriate approach. We really define the case study as these two projects, which are new development areas.

Here we're looking at a greenfield area, as opposed to an existing area where there is a mix of development. In terms of service and facilities standards, there are two ways to go. DOE has certain design standards that they are required to build. The capacity of a school, for example, is determined to be 550 for an elementary school; a middle school – 600; and a high school – 1,000. Recent designs have been for bigger schools, some of which may be multi-track schools and which the BOE is trying to get away from. Acres per student ratios are what DOE is currently using. It's not asking for what it really wants or would like to have. It is asking for what we are providing in other places. The standards used for impact fees might depend on what you're doing. If you're doing greenfield development with new schools, the developer is paying the impact fees. It may not make sense if you intend to share these schools with existing development—in this case, it might make sense to use the design method. The impact fee ought to be based on what you're going to provide. They are going to get what they are paying for because they are going to be the ones using the schools.

Mr. Mullen described forecasted capacity needs for 1) Gentry Waiawa project – about 10,000 units; 3 elementary schools, 1 middle school, and 1 large, high school; and 2) Castle and Cooke Koa Ridge project – about 6,000 units; 2 elementary schools, 1 middle school, and 1 small, high school.

Because we're looking at a greenfield site, there are no deficiencies. There are no existing schools in case study area. Excess capacity in neighboring complexes is limited. Also, you wouldn't use impact fees collected from this area in another district.

We are looking at about 9 schools, totaling 196 acres. Using construction costs on recent schools (estimating on the low side), it would take about $251.0 million.

If you were to take the capital cost and divide it by the number of students, you would arrive at a cost per student of about $40,000. With about one-half student per unit, the cost per single family unit would be about $20,000.

In order to do an impact fee, you have to do credits. To do credits, you have to go to the statewide analysis and give credit for outstanding debts. There is debt out there that new development in this area is going to help pay off, so you give credit for that. Give credit for capital funding. We are talking about a credit of $3,500 per unit. The net cost per unit is about $16,000. If you did the other approach, the approach similar to what we did in 2000, where you're looking at what's the existing services we're not providing statewide, we can't hold new development to providing one student station per student so you have to reduce that down.

This wraps up the analysis of the case study. So, what are our options? One of the options is that fair share is working just fine and stay with that. Another option would be suggest to the Legislature to enact a new law mandating land dedication and impact fees. There could be legislation that says if you meet the criteria being a large residential development, how we define that, in concept, establish the fee schedule and land dedication requirement per unit. The analysis that we're doing would be sufficient to develop that kind of legislation. The second approach to a state impact fee is to combine these two. To do that, you need a fee study of each area because you have to show growth is occurring in this area and generate a fee and how much of a fee. An enabling act is needed. There are a couple of other options—you could look at the special assessment or taxing districts. Real estate transfer tax is another possibility.

Councilmember Member Rapozo asked whether student generation figures are derived solely from the census. Mr. Mullen answered that it was derived from the census plus other information because certain census areas didn't have enrollment numbers. Mr. Portmore said, in the 1990-2000, numbers were adjusted for actual observed enrollment. Member Uchida asked about a situation where you have an overall declining population of students and growth in certain areas. Mr. Mullen responded that this presented a unique situation in their experience with school impact fees.

Also, Mr. Mullen said it's hard to justify impact fees, that is, to assess impact fees on infill development. Major developments such as these need to have their own high school complex. Mr. Portmore indicated because of the geographic separation, it's a real issue to have schools with declining enrollment. Yet, the state, for whatever reason, may not be closing down schools, consolidating enrollment, and thereby reducing their costs to maintain the existing schools.

Member Bruhl stated for example, if you look at Ford Motor Company, they have a manufacturing facility, and if you want to utilize it and use it efficiently, you don't build another one. To solve the inefficiencies, you don't go building another one, if you have an overall production capacity. Mr. Portmore replied that unlike Ford, we have a policy that we must have schools for kids. Mr. Portmore distinguished the Ford analogy from building schools.

Member Ching stated that the case study area indicates a cost per unit, per capital cost, and number of schools, and asked whether DOE could confirm or deny the costs. In the case study area, 20,000/unit, capital cost $25 million growth cost indicated number of schools. And, considering it's Koa Ridge, the Koa Ridge docket anticipated 2 elementary schools, 1 middle school, and 1 high school – 50 acres on the Waiawa side, how could they come up with 2 high schools. Member Kashiwai said he's not sure, but that perhaps two were combined.

Mr. Portmore stated they took the ultimate numbers for the development, not the numbers for the area that were submitted to the land use. It's more that they have later phases that they are talking about. Member Kashiwai answered in terms of costs, total costs of the schools, they are a little low based on 9 schools and that DOE estimates run a little higher. Mr. Mullen agreed that it is a little on the lower side. They did a cost per student. Recent high schools have been in the range of $60 million because these would be somewhat smaller high schools if you designed it just for the students projected.

Member Ching indicated a disparity between the current formula used or projected for this case study area applied and what the costs are. The reality is that there will be a serious shortfall in terms of development funding for the necessary schools in the case study area. Mr. Portmore said that 85 percent will be covered with general tax revenues. Member Ching disputed some of the consultants' points. Member Ching also requested additional clarification on definitions of major development, greenfield, infill, and so forth. Mr. Portmore replied that especially with infill, a lot depends on how you define it. If it's really big, it's a large development. Mr. Portmore would not call it infill and agreed that terms need clarification.

Member Ching indicated that the consultant's work did not include an agricultural unit breakdown. Agricultural units are formed by subdivisions and subdivision requirements do not necessarily trigger school impact fees. For instance, in Wailuku, a 183-unit, large agricultural subdivision was recently approved. The subdivision is in an existing area, so there is an external influence and impacts or costs can't be recuperated. What happens where there are, for example, a 466-unit greenfield development next door to the 183-unit development. The 183 get off free--there's no discussion of school or subdivision. But, the 466 units are coming in. You may be short-changing yourself because you are not counting on the students generated from 183 agricultural units which are next door.

Mr. Portmore responded that where development creates a demand for schools, whether major new project or infill development, a fee will be charged. Whether or not it's a growth area, that determination is based on projections. Thus, an agricultural subdivision would be a growth area and an impact fee would be recommended. The impact fee is not dependent on whether there's major development, that's one category. Another category is, it's already zoned, maybe they just need to get a building permit if it's an area that will trigger a fee. There is no attempt to exempt agricultural subdivisions. The intent is to require a payment of a fee where there is sufficient growth to generate a need for schools. And again, that determination is based on projections. Member Ching said that the report needs to clarify the definition of a residential project because many would consider agricultural subdivision not a residential project. Mr. Portmore agreed and indicated that they had not intended to leave it out.

Member Ching said that the slide indicates that Hawai`i has a state impact fee. Mr. Mullen replied that Hawai`i has a state enabling act. Member Ching expressed confusion, stating that he didn't think Hawai`i has impact fee , but he understands now that it is "allowed." School impact fees are allowed in 8 states. Member Ching stated that the report needs to be careful with how it states that because the perception is Hawai`i does not have impact fee legislation.

Mr. Mullen stated that the county enabling act does not prohibit a school impact fee on a county level. Member Ching clarified that it's a county level impact fee. Mr. Mullen agreed. Member Ching pointed out that there is a difference between a state impact fee and a county impact fee. Here, we don't technically have a state one, so we cannot collect. Chair Sakamoto said that a state law could be passed, but that Hawai`i doesn't currently have one. Mr. Mullen indicated that Hawai`i is unique. Hawai`i is the only state with one statewide school district. So, all these enabling acts in other states allow cities and counties or prohibits them. In Hawai`i, the State allows counties in theory, it doesn't prohibit.

Member Ching said, I don't think there's enough clarity in our state as to impact fee. And, this study, is going to ultimately conclude whether impact fees are good and an effective mechanism to use. So, if the study indicates that there already is an impact fee law, and ultimately the study says that we don't need one or it's not effective, then, it's possible that people might have a false sense of assurance. It's just going to create more confusion.

Member Imamura asked whether the $251 million is over a period of time. Mr. Mullen answered in the affirmative, over 25 years. He then asked what DOE is planning with respect to the schools that are underutilized and how is it managing that process. Mr. Portmore answered that the study needs to look at that. In fact, he wondered whether it is a legislative decision to, say, sell school A and use the proceeds to build a new school B, when DOE does not own the land.

Chair Sakamoto said there were proposals before the Legislature. One proposal was to create a school closure commission, like the military's base closure commission. Other ideas included revenue-generating ideas, for example, like building a Starbucks and generating revenue for schools. The DOE's concern was that revenues from Starbucks on Kahala Elementary, say, would go to the general fund. Member Uchida wants to ensure that this kind of discussion continues.

Member Imamura indicated that over a 25-year period, it's not going to be a straight line of $251 million. Chair Sakamoto asked if 25 years is a reasonable estimate. Member Bruhl stated that looking at Mililani, 15,000 homes over 30 years, it's plausible. Member Moore said that Mililani sold its first house in 1968. The last one may be in 2007. That's 39 years. Member Uchida said that Waiawa is projected for 28-30 years.

Chair Sakamoto commented that from legislator's point of view, $90 million is needed to build Kapolei High School, $60 million for Kapolei Middle School, and some amount for Ewa. You live in Hawai`i Kai, Downtown, or elsewhere, and you're faced with a backlog of $525 million. Part of the challenge relates to the infill issue—existing schools need new construction, too. Member Rapozo raised that $251 million today may be $500 million in 25 years. Member Bruhl reiterated that $251 million is an estimate and only that. Chair Sakamoto asked whether Member Bruhl, who had volunteered to look at some comparisons, was willing to take on that work. Member Bruhl agreed. Chair Sakamoto said that during the last meeting, someone spoke about Le Jardin. They built a school for $10 million. He asked whether the state is very inefficient. Private schools could be built for similar quality for cheaper money.

Member Ching raised the Maui project outside of Wailuku. It's an established area, and yet, the projection is that the schools in the area are at capacity and that the additional 466 units that are going to be added will need either an elementary or middle school. Overall enrollment projection for Maui shows very slight growth, but in this area, there will be large impacts. Infill of this type produces increases and new facility needs, according to the DOE. In relation to this, Chair Sakamoto asked whether the information on slide 12, the school complex information, is from DOE. Mr. Mullen said yes, that it's organized by complexes. Chair Sakamoto stated that Maui is level, one-half of Maui is going up and one-half is going down. At the same time, Member Ching noted that Lahainaluna is near or over capacity; Maui High School is at capacity, yet is only due an elementary school. The whole system seems to be strained. Chair Sakamoto's concern is what to do. Member Ching stated that the Working Group is mandated, as a committee, to try to clarify the issue.

Member Park added that with Mililani Ike, which is one of DOE's newest schools, we had put 8 new portables on campus by July 1st. Mililani Middle School has 30 portables. The community wonders why DOE and the State build a school that needs portables in less than 10 years. Mililani High School was fortunate enough to get appropriated a 10-room building. On paper, they may be down 50 kids this year, but they'll have 2,600 kids. Haleiwa only has 200 kids. It takes a lot of money to run that school, but its enrollment is low, and it's not like people moving into the new areas are going all the way down to Haleiwa. When people move into an area, their assumption is that their kids are going to go to school with their neighbors in their community because that's why they bought the house. So, for example in the Mililani area, there's one little pocket near Mililani Technology Park that sends their kids to Leilehua. Their assumption when they bought the house was that they were going to go to Mililani. And so, I get calls every year from parents who say their kids have a right to go to Mililani. I'm looking at it from a people standpoint. Nobody wants to buy a brand new house and not go to that school.

Kapolei has the same problem. They're brand new and they still need portables. The public doesn't understand why you build a new school and need a portable in less than 5 years. Further, the assumption of families going to school--elementary through high school—that's it. But that is not happening. What's happening is, original parents are giving their homes to their married kids who now have the young kids or they are renting out. There are a lot of rentals in Mililani. There are military people in the area because of Schofield. Privatization, meaning that you have military all over the island and not just on base, has affected our enrollment.

Mr. Portmore said that everyone seems to be on the same page. We're looking to propose a way of doing an impact fee that would collect a fee wherever there is development occurring. If we oversimplified the language, or only used the language for infill, we're not necessarily suggesting it for large developments. We're at an early stage here. So, all the Working Group's points are very well taken. Chair Sakamoto asked whether DOE's projections are accurate—how well have projections done in the past? Member Moore answered it's been an ongoing challenge. Because Mililani did not fit the traditional pattern of build a new area, school enrollment goes up, folks get old, school enrollment goes down. Main Honolulu, East Honolulu, Pearl City–all those places follow that. Mililani did not follow that pattern. So, the question is, how come?

Chair Sakamoto asked at what point can the consultant and this group have confidence in projections. Member Moore said that projections are always going to be only projections. By looking at Mililani, there is nothing in our history that would have predicted that. A guest in the audience, Ms. Heidi Meeker, a DOE employee, said that one can't just use that school as an example. The school is designed for multi-track.

Member Ching commented that the study should not just list the alternative funding sources. We currently have a 15/85 formula and it's not working for various reasons. The numbers could be enhanced with, say, a 50/50 type situation. People will have a lot more support for the Legislature. Another challenge is property tax. Chair Sakamoto commented that in other jurisdictions, property owners pay property tax to support the schools, but that's not the case here.

Member Ching added that maybe that also contributes to the federal military share for capital costs for military dependents. They're at 2%. Chair Sakamoto asked whether on the fair share amount, 15/85, 25/75, 50/50, is there information that you can catalog this county or this jurisdiction doing that in part to address Member Ching's concerns. Mr. Mullen answered in the affirmative. Mr. Mullen indicated hat he has a library of impact fee studies that he can go through. Member Bruhl indicated that in certain jurisdictions on the mainland, there may or may not be land contribution. They may not be required to provide certain of the infrastructure improvements that developers are asked to provide in Hawai`i. It needs to be told to the council, reflected in the minutes, that this $899 value per unit is an arbitrary DOE number based on 100,000 per acre and so many students – it's all formulated. And, in the case of a recent contribution, Member Bruhl can make the argument that the land provided in 12 acres is worth $3.5 million, for 1,000 homes, that's about $3,600 per unit. There are all sorts of ways to slice it as to numbers.

Member Rapozo stated that in Arizona, the county is required to build the school based on the development and what it will generate. They utilize special districts and use special tax based on the property tax. It's a county tool and it's generated from county property tax. It would be tough for Hawai`i and he wasn't sure about being able to transfer the tax to the state, to the DOE. The other thing is it goes back to the numbers. Councilmember Member Rapozo indicated that he just went through this on Kauai. They hired some consultants to do a housing study and to use census numbers. On Kauai, 3 or 4 families live in a home. So, like Maui, the numbers don't really show an accurate picture. A household may have 6 kids that live in a two-bedroom home–that's 3 kids per bedroom.

Member Bruhl indicated that population growth is causing the demand for schools. This island, in fact this state, is projected to have population growth in certain areas.

Chair Sakamoto said we're not doing a good job of filling the need to build schools on a timely basis. That's why the Working Group was created. Member Imamura commented that there's a conflict on the county level. If there is an assessment or impact fee for the project, the developer is already paying for the sewer and water on the county level. The counties may have to pay a contribution for the purpose of building schools.

Chair Sakamoto indicated that one policy issue is what percent do the general state taxpayers pay for schools versus the developing community. 15% is pretty low but we don't know what might be reasonable. Member Imamura said there has to be some rational process to arrive at some percentage if that's what it takes.

Member Rapozo asked why not use the same rationale for school impact fee as we do for infrastructure impact fee and just go that route. Member Uchida indicated that the point Mr. Rapozo raises is a good one because when you look at what's happening across the state right now, every county is looking at an impact fee for police, fire, roads, etc. Hawai`i County is looking at about $12,000, Kauai about $11,000--if you take a step back and look at the impact, the middle class is the class of people who can least afford it. If you start stacking all of these fees, you'll break everyone's budget. So, from a public policy standpoint, you're dealing with who's going to pay for this infrastructure and who's going to pay for these public facilities. It's convenient to say, put it on the new guy and everybody's doing that, but, at some point, the new guy is going to say, you know what, we can't afford this.

Chair Sakamoto said that the state only gets one crack at fees and that the current situation is 15%. School fees aren't assessed annually Like property taxes. If the counties agree in their property tax, they will give 4% to the state for schools, would be good, too. Member Bruhl stated that on the mainland, conveyance of land is common. Mr. Mullen agreed, saying that there's a lot of land dedication. Member Bruhl said that $4,000 is the national average to cover land.

Mr. Portmore stated that the situation is different today than before. It was a lot easier in 2001. He indicated his request to have another workshop with the Working Group, one that would likely last more than two hours. Chair Sakamoto indicated that the workshop should have everyone respond to what is presented.

Ms. Yamane said the Working Group should plan for the next meeting. Mr. Portmore said, based on this meeting, the group should plan for early November. Chair Sakamoto suggested that the group reconvene in a month. Mr. Portmore requested a meeting sooner, rather than later, so the group can reflect on what the consultant is working on. He suggested having an interim meeting, followed by a major workshop.

It was suggested that the next meeting be held on Friday, October 6th, 9:00 a.m. – 12:00 p.m. Mr. Portmore indicated the meeting in November should be at least one-half day. Chair Sakamoto suggested November 20th, all day. Ms. Yamane reminded the group that all day meetings require that quorum be present all day. Members must indicate ahead of the meeting whether they will arrive late, leave early, or be unable to attend. If quorum is lost at any point during the day, the meeting must be stopped. The group agreed to meet on the days discussed.

Next Meeting: Friday, October 6, 2006, 9:00 a.m. – 12:00 p.m.
Monday, November 20, 2006, all day

Adjournment: With no further business to discuss, Chair Sakamoto adjourned the meeting at 3:35 p.m.

Reviewed and approved by:

for Jan Yamane
Deputy Auditor/In-House Counsel

October 2, 2006

[ ] Approved as circulated.

[ ] Approved with corrections; see minutes of (date) meeting.

SIFWG/090106